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ABSTRACT

This instructor guide for a unit on promotion in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 3 of learning--starting and managing one's own business. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The following materials are contained in the student's guide: activities to be completed in preparation for the unit, unit objectives, student reading materials, individual and group learning activities, case study, discussion questions, assessment questions, and references. Among the topics discussed in the unit are the following: options for promoting a business, costs of media options, options that match target market and image, materials that represent the image, promotional budget and calendar, and evaluation of promotional activities. (KC)

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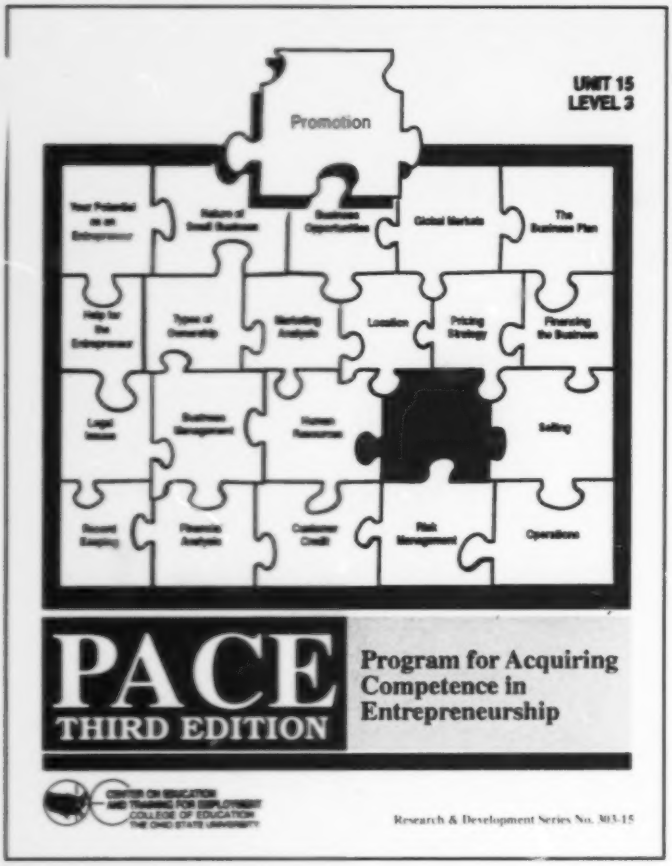

Objectives:

- Discuss the options for promoting your business.
- Analyze costs of media options.
- Discuss promotional options that best match your target market and image.
- Describe techniques to prepare materials that represent your image.
- Develop a promotional budget and calendar.
- Identify strategies to evaluate promotional activities.

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INSTRUCTOR GUIDE

Unit 15

Promotion

Level 3

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

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Objectives	Teaching Suggestions
1. DISCUSS THE OPTIONS FOR PROMOTING YOUR BUSINESS	
What is promotion and its options?	Review the four elements of promotion. In this section, advertising is emphasized. Ask students to name all the different types of advertising they can think of. Discuss the advantages and disadvantages of each form of advertising.
2. ANALYZE COSTS OF MEDIA OPTIONS	
What are the factors associated with media costs?	Ask students which form of advertising is most expensive (TV). Next, ask which form of advertising is the most expensive per viewer or reader. Discuss the concepts of *reach* and *waste*. Ask which form of advertising has the longest lead time and which has the shortest. (National TV-longest, local newspaper-shortest). Rank other media according to lead time.
3. DISCUSS PROMOTIONAL OPTIONS THAT BEST MATCH YOUR TARGET MARKET AND IMAGE	
How do you adequately time your advertisements?	Describe several business situations and ask students when they would run their advertisements. Emphasize the importance of timing in advertising.
What are the characteristics of your target market and image?	Refer back to the business situations mentioned above. Describe the target market and ask students to identify the appropriate media to employ.
4. DESCRIBE TECHNIQUES TO PREPARE MATERIALS THAT REPRESENT YOUR IMAGE	
How do you develop personal image and credibility?	Mention several well-known businesses in town that have different images. Ask students to describe these business images and relate their images to their promotional techniques.
5. DEVELOP A PROMOTIONAL BUDGET AND CALENDAR	
What is the promotional budget?	Describe a hypothetical business. Start by giving students the gross sales of one million dollars. Ask students to calculate the promotional budget using the percent of sales technique. Discuss the disadvantages of the percent of sales technique.

Objectives	Teaching Suggestions
6. IDENTIFY STRATEGIES TO EVALUATE PROMOTIONAL ACTIVITIES	
Why is evaluating success or failure useful?	Ask students how they could determine whether their promotional campaign was successful. Discuss customer awareness and sales.

MODEL ASSESSMENT RESPONSES

1. The four major promotional methods to be included in promotional mix are advertising, personal sales, public relations, and sales promotion.

   Advertising is a paid form of a nonpersonal message communicated through the various media.

   Personal sales is a one-to-one promotional communication.

   Public relations is a form of communication primarily directed to image building. Publicity is one form of public relations that does not necessitate payment, employs a wide variety of media, and is often shown as news or items of public interest.

   Sales promotion includes activities, materials, devices, and techniques used to supplement the advertising and marketing efforts. Examples of sales promotion are couponing, sweepstakes, and taste tests.

2. *Classified ads* are paid advertisements in newspapers which contain only copy and usually involve a few lines of one newspaper column.

   Display ads appear in a newspaper or magazine and use pictures, art, or different styles of type or print to attract the reader's attention.

   Yellow page ads are found in the telephone book.

3. The following factors are associated with media costs:

   (1) *Reach* = the number of viewers or readers in the audience.

   (2) *Frequency* = how often a medium is used.

   (3) *Message permanence* = the number of exposures one advertisement generates and how long it remains with the audience.

   (4) *Persuasive impact* = the ability of a medium to stimulate consumers.

   (5) *Lead time* = the time required by the medium for placing an advertisement.

4. The following four approaches used to set promotional budgets are: percentage of sales, "all you can afford," return on investment, and objective and task.

   The percentage of sales is simple to use but may not reflect the market.

The "all you can afford" approach is used by businesses with limited resources. Usually the money budgeted is far less than what they would like to spend, but allocating more would endanger solvency.

The return on investment approach relates promotional expenditures to profit goals. It is difficult to determine accurately the effect of promotional expenditures on sales and profitability.

The objective and task approach clearly ties promotional expenditures to stated objectives, emphasizes marketing research to determine how to promote, and examines the costs associated with objective attainment. However, it is difficult to estimate the costs of obtaining promotional goals.

5. A business must pay for advertising, but not for publicity. Publicity may have greater credibility than advertising. However, a business owner has less control over publicity than advertising.

6. Advertising is appropriate for geographically widely distributed markets. Compared to personal sales, it should be used for lower ticket items. For example, most grocery items are advertised.

   Personal sales is suitable for geographically concentrated markets and large ticket items. For example, personal sales are very important when selling industrial chemicals.

   Sales promotion is used to support the other areas of promotion. It is particularly important for products which are purchased on "impulse". Point-of-purchase displays in the grocery store and various competitions are examples of sales promotions.

   Public relations is used to improve the image of a product, service, or business. Publicity is part of public relations. Since there is not a direct charge for publicity, businesses seek positive publicity whenever they have an event of interest to the public. A business would seek publicity for the opening of a new facility.

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.
Level 2 — Planning for a business in your future.
Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
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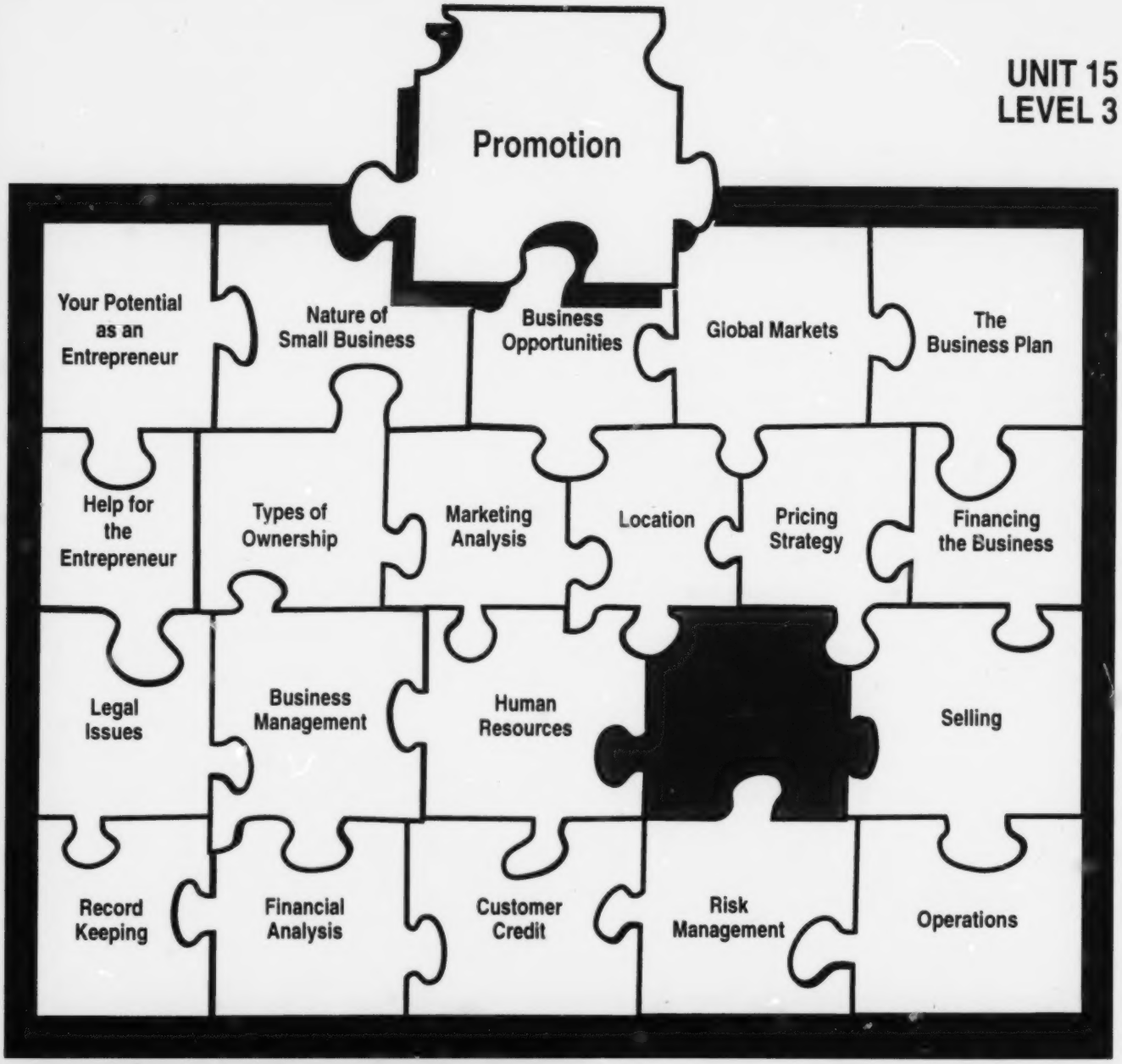
UNIT 15
LEVEL 3



PACE
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Program for Acquiring Competence in Entrepreneurship

CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 303-15

PROMOTION

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met in Level 1 and Level 2:

   Level 1

   - Define the concept of promotion.
   - Describe the promotional mix.
   - Discuss the importance of promotion.

   Level 2

   - State the purpose of promotion.
   - Identify the four components in the promotional mix.
   - Discuss the role of public relations and publicity.
   - Discuss the options for sales promotion.
   - Analyze media available.
   - Discuss the promotional campaign.

4. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

Advertising costs	Objective and task
All you can afford budget	Percentage of sales
Billboards	Personal image
Broadcast media	Persuasive impact
Classified ad	Promotional budget
Display ad	Reach
Frequency	Return on investment
Lead time	Scatter ad
Media	Spots
Message permanence	Telemarketing

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PROMOTION

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- discuss the options for promoting your business,
- analyze costs of media options,
- discuss promotional options that best match your target market and image,
- describe techniques to prepare materials that represent your image,
- develop a promotional budget and calendar, and
- identify strategies to evaluate promotional activities.

WHAT IS THIS UNIT ABOUT?

Promotion is used to project an image of a business to prospective customers and to provide information that helps customers make buying decisions. Consumers often take a great deal of time in gathering information before they make the decision to buy regularly from a business. If they can't get the necessary information or if they get information that is contradictory, they are not likely to make that commitment.

It used to be that promoters talked about *demographics*—information about the age, income, and sex of prospects. Over the last decade, however, a more definitive way of measuring potential customers/clients has emerged. Called *psychographics*, it evaluates the lifestyles and behavior of people. This system classifies people according to what motivates them. Do they prefer the tried-and-true, or are they trendsetters? This unit will tell you how to find out.

WHAT IS PROMOTION AND ITS OPTIONS?

Every day we are all bombarded by an estimated 15,000 commercial messages. If a product is to compete effectively, we need to understand exactly what promotion is. Promotion is communication. Specifically,

promotion is all communication activities undertaken by a business to inform people about its products, services, corporate image, or social intent. If the entrepreneur is to compete effectively in the business world, she needs to know what options are available. The four components of the promotional mix are: (a) advertising, (b) personal sales, (c) public relations, and (d) sales promotion.

A. ADVERTISING

There are numerous advertising options including advertising in newspapers, magazines, *The Yellow Pages*, and directories, radio and TV commercials, and billboards. The best form of advertising depends on the market, the product, and the promotional budget.

- CLASSIFIED ADS

Classified advertisements (*ads*) are placed with newspapers, magazines, and journals. They are generally grouped in special pages at the end of the publication because they contain only *copy*—which is the words of an advertisement, and no pictures. Each word costs money and in order to stay within a budget, requires the business owner to cut the ad to the barest necessity of words. This can be deadly since readers need enough information to entice them to respond. "The more you tell, the more you sell" is a positive way of looking at classified ads.

- DISPLAY ADS

Display ads are ads that appear throughout a newspaper or magazine and use pictures, art, or different styles of type or print to attract attention. They can be made of several colors in order to get attention or simply in black and white to compete with other color ads on the page. Most businesses like display ads because they allow the business name to be in the public eye at a reasonable cost.

There is a cross between a classified ad and a full-fledged display ad. It is called a *scatter ad*. These are small, usually only one-twelfth or one-sixth of a page. Several of the same ads are often scattered through a newspaper or area magazine.

Scatter ads only work for certain things. If you can find one or two words to express the problem you solve, they may be ideal. Here are some examples: An acupuncturist might say "Headaches?" "Car trouble" might be the flag waved by an auto mechanic, whereas a psychologist might say "Marital problems?" and a doctor "Hemorrhoids?" This ad might continue with "Cured without surgery in 15 days! . . call 555-5555." This kind of an ad campaign can have striking results when used carefully.

Display ads are larger and make more sense for new businesses. Here you have more room to tell a story. You can more forcefully appeal to your target audience's desire for quality, comfort, style, savings, convenience, fun, love, or status.

- YELLOW PAGE ADS

Statistics show that people refer to the *Yellow Pages* 49,000,000 times on a typical day! Did you know 50 percent of these references result in the purchase of a product or service? For many small businesses, this is the smartest place to put advertising dollars.

People don't let their fingers do the walking unless they are actively interested in buying something. Consequently, they literally sell themselves on your product or service before they call.

Another variation to consider is *The Business-to-business Yellow Pages*. Chicago pioneered the first of these several years ago. Today more than 20 large metropolitan areas sport such editions. They go to business phone locations and carry headings of interest to businesses. Rates for business directories are comparable to slightly higher than the consumer directories.

Others who opt to find this an especially viable promotion medium include tanning salons, videotape and disc renting, computer system design and consulting, auto renting and leasing, carpet cleaners, florists, insurance agents, typewriter and computer repair facilities, temporary help agencies, and travel agencies.

The ad for the *Yellow Pages* should include the business name and phone number in large, bold letters, your logo, and your address. The idea is to establish trust. Citing years in business, size, family management, or association memberships helps confirm your reliability. Be sure to note special features or unique qualities that separate you from your competition. Of course, you will phrase these things as *benefits*, not features. Always remember you aren't selling you or your business—you are selling solutions to people's problems. The list of features shown in Figure 1 will stimulate ideas applicable to your particular ad.

There are other considerations, too. Ads appear in a given section according to their size. So, half-page ads precede quarter-page ads, which precede eighth-page ads, and so on. If you feel advertising in *The Yellow Pages* is pivotal to your success, then invest a large portion of your overall promotion budget here. It might be wise to consider cross-reference under several headings as well. A secretarial service, for instance, could also list itself under "Office Services-Stenographers" or "Writers." Some unusual businesses will want to run ads or listings in books for nearby communities as well.

It may not be necessary to purchase a large display ad. Half-inch type-only ads, and even bold listings, help set you apart. If your budget allows it, a way to really stand out on the page is to incorporate a second color into your ad. Many people indicate that including red in an ad attracts the eye and gets faster recognition. Many business owners are undecided, however, on whether color is really worth the extra money.

- SPECIALIZED DIRECTORIES

Besides *The Yellow Pages*, there any many other specialized and regional directories. Virtually every industry has one. They are typically divided into categories, arranged like dictionaries, and updated annually. If you don't know about these opportunities, go to the library and look in *Directories in Print*. Some of these listings are free for the asking. To make your business appear stronger on the page, remember to use every bit of space the listing forms allow.

As in all promotion, it is essential to track results. Most of your inquiries will come by phone, especially if a toll-free number is included. For more sophisticated monitoring, there is call forwarding. With this tracking method, calls go to a different

Convenient location	Free estimates/exams
Credit cards accepted	Caring concern
Awards you've won	No muss/no fuss attitude
Extended hours (evenings/weekends)	On-site service
National brands you work on	Certified employees
Rush service available	Mobile unit
Free pickup and delivery	References furnished
One-stop/full-service establishment	Satisfaction guaranteed
Free initial consultation	Confidential help
Personalized service/custom work	Preventive care
Special financing arrangements	Always on time
On-call 24 hours	Special rates for seniors

Figure 1. Features to highlight in ads for *The Yellow Pages*

number, then are automatically routed to your regular switchboard. The customer never knows the difference, as there is no interruption. You get a bill each month with the time and date of each call. To get this exact record of the number of inquiries, you'll pay around $35 per month plus 20 cents or so per call. Another interesting compromise is to connect your toll-free number to a dedicated key phone that records who called, for what, and when.

- BROADCAST MEDIA

Broadcast media—the world of radio and television—can lead to a huge influx of business. The power of the airwaves is an effective advertising tool. The downside, of course, is that it is expensive. There is little point in buying a few commercials. In most cases, you have to commit to approximately three months before you have a right to anticipate striking results.

Radio advertisements, or *spots*, are a good solution for many businesses. They allow you to reach a small geographic area at an affordable price. Unlike TV, most stations do not add production costs. They come in 15-, 30-, 45-, or 60-second spots, tailored to your specific needs.

To begin investigating radio, think about the format of your local stations. They will probably range all the way from country to classical, easy listening to heavy metal. Some service businesses can be matched to the type of listener who tunes in different stations. A golf course would do best to advertise on the classical or easy listening station, whereas a bowling alley might try the country station.

Contact the station and ask to have the advertising sales manager call on you. If possible, insist on the sales manager; that individual can help educate you. Also, it would be advantageous to you and your

business to invest the time to cultivate a relationship with a local sales representative.

Radio spots can be bought in one of two ways. Either as run of station (ROS) or for specified times. ROS is cheaper because the station can plug your spots in to undesirable times, such as late at night. Ideally, you want morning drive time (7 a.m. to 9 a.m.) or afternoon drive time (3 p.m. to 6 p.m.). People listen to their radios while they commute to and from work. This is a prime promotion period. Of course, if you are trying to reach teenagers, it is a different story. Then you want early evening and Saturdays.

Television spots may not be out of your reach, especially if you sidestep the network affiliates for cable TV. Here a prime 30-second spot that reaches perhaps 40,000 households may cost only $40. One of the reasons you pay less is you reach a smaller area, which is desirable for an entrepreneur wanting to pinpoint only a 20-mile radius. Cable also allows you to target your audience.

Do not overlook the fact you will be charged for production of the commercial spot. Prices typically range from $200 to $1,500. Of course, if you hire nationally known talent and directors, costs will skyrocket.

Speaking of prices, the published rates are not cast in stone on either radio or TV. Naturally, stations are not going to discount rates just before Christmas, during prime times, or especially for popular shows. They are often open, however, to negotiation with savvy entrepreneurs. You have nothing to lose by asking!

- BILLBOARDS

Most businesses require billboards or signs of one sort or another. The most obvious is the one identifying a store or office. A day-care center might opt for something big and bright, whereas a dress shop wants a sign that is professional and dignified. If your business is easily recognized by a symbol or emblem, try a sign cut in that shape. A bicycle shop could do this nicely.

Think about the *character* of your business and the image you want to portray. A dude ranch would use rustic wood with bold, routed lettering. On the other hand, an up-scale hairdresser might use calligraphy on a gold background.

Signs do indeed have far-reaching possibilities. What about removable magnetized ones for you and key employees to put on your automobiles? Speaking of cars, personalized license plates are another way to use promotion. Another is bumper stickers given to customers to get your business's name out in the public.

On a more casual basis, some owners have been known to promote their ventures with sandwich boards which are two advertisement boards placed so that they can be read from both directions. This type of promotion was popular during the 1950s. Of course, tee shirts, jackets, and caps are popular vehicles to promote the business. An amusement park might use inscribed balloons; an association, decals; a theater company, posters. Is an adjacent storefront empty? You might pay the owner a few dollars a month to put a small sign or display in the window. This is a cheap way to promote a timely special or event. If you

believe in doing things in a "big way," what about skywriting, blimps, or banners towed by an airplane?

B. PERSONAL SALES

Whether you consider the personal sales of a clerk in a store, or the personal sales of the external sales force, few businesses can survive without sales. It is very important to properly train the sales staff, so that they can effectively approach the customer and close the sale. Clerks for small ticket merchandise are usually paid by the hour. However, clerks for large ticket merchandise and external sales people are usually paid with a combination of salary and commission. For more about selling, see PACE Unit 16.

- TELEMARKETING

Telemarketing is the use of telephones to keep in close contact with target customers. It became popular with the introduction of Wide Area Telephone Service (*WATS*), the 800 toll-free number, in 1967. There is no doubt that you can ring up extra results with telemarketing and there are four areas of telemarketing to look at for success.

First, telemarketing is a cost-effective way to follow up on leads. Over the phone you can quickly qualify prospects to determine who is hot and who is not.

Second, the telephone allows you to stay in contact with existing customers. You can use it to herald the arrival of a new service you know they might like or to canvass active accounts on behalf of a special offer.

Third, telemarketing provides a quick way to activate old or forgotten accounts. Because it is far cheaper to do more business with an existing account than it is to find a new one, this is a key point. One phone call may reveal a simple problem you can quickly resolve, thus bringing the customer back into the fold.

Fourth, how about using your telephone as a goodwill tool? In today's busy high-tech world, few businesses ever call and thank patrons for their business. Nor do they tactfully suggest the customer might want to mention this product or service to a friend or relative. Because word of mouth is a top motivator, such referrals can quickly boost the bottom line.

C. PUBLIC RELATIONS

The purpose of public relations is to create and maintain favorable relations between the business and its public. Public relations includes media publicity. The advantages of publicity are that it has greater credibility than advertising, and the business owner does not directly pay for it. The disadvantages of publicity is that the business owner has little control over it. For more information about public relations, see PACE 15, level 2.

D. SALES PROMOTION

Sales promotion techniques include sampling, contests, sweepstakes, premiums, couponing, and displays. Many small businesses spend more on sales promotion than on advertising. It is often used to improve the effectiveness of other promotional mix ingredients. For a physical product, the display of may make or break the sale. For more about sales promotion, see PACE 15, level 2.

WHY IS CHOOSING THE MEDIA IMPORTANT?

Media analysis will be different if you are dealing on a regional basis around your hometown, rather than in a national arena. If your sphere of influence centers around one community or area, the print ad choices are less confusing. There is probably one major daily paper, plus several smaller neighborhood newspapers and a free shopper or two. In large metropolitan areas, there may also be an alternative newspaper that appeals to a target crowd, a New Age publication, a senior citizen paper, maybe even an ethnic publication. Often there is a regional magazine, such as *Arizona Living Magazine*, *Chicago Magazine*, and the *Ann Arbor Observer* (see Figure 2).

Newspapers have an immediacy that can be a real advantage. Because of the short time required to be at the newspaper before being printed (known as *lead time*), you can run an ad at the beginning of the week and be getting calls from it by the end of the week. This also allows you to capitalize on timely events or situations. If your city just has been hit with a heat wave, promoting your air-conditioning repair service would be a stroke of genius. A locksmith might want to plug in some quick ads to counteract a local wave of burglaries. You might also want to plan your promotional advertising to coincide with the payroll days of large local industries.

It is best to avoid Wednesdays and Fridays. These are the "clutter" days when papers are chuckfull of grocery and entertainment ads. Sunday is a good day because people spend more time looking at the paper. As with magazines, a few big metropolitan dailies—such as the *Los Angeles Times* and the *Houston Chronicle*—publish zoned editions. Remember, though, that there is one distinct disadvantage with newspaper advertising: tomorrow there is a new paper. The life span of an ad is very short.

Magazines are often kept around for months, so your message keeps selling. There is also prestige value to having your ad next to that of some Fortune 500 company like Ford Motor Company or AT&T. Then, too, ads simply look better in magazines because photographs reproduce well on the slick paper.

Obviously, price is going to be a prime consideration. At first glance, TV may appear to be the most expensive media. However, if you are able to effectively target using television, the price per customer contact may be relatively low. In some cases, you may decide to pay a higher price because a particular publication is positioned ideally to reach your target market.

One of the most important considerations is whether a particular media will reach your target market. A funeral director or convalescent home may elect to advertise in a senior citizen newspaper. A bakery will fare better in a women's magazine or cooking specialty section of the newspaper than in the traditional press. If you wish to target heads of dual career families, easy listening radio stations during drive time may be your best media bet.

Medium	*Market Coverage*	*Advantages*	*Disadvantages*
Daily newspaper	Entire metropolitan area, local editions sometimes used	Short lead time, concentrated market, flexible, passalongs, surrounded by content	General audience, heavy ad competition, limited color, limited creativity
Weekly newspaper	One community	Same as daily	Heavy ad competition, limited color, limited creativity, small market
Television	Regional or national	Reach, low cost per viewer, persuasive impact, creative options, flexible, surrounded by programs	High minimum total costs, general audience, lead time, short message, limited availability
Direct mail	Advertiser selects market	Precise audience, flexible, personal approach, no clutter from other messages	High throwaway rate, receipt by wrong person, low credibility
Magazines	National (most with regional editions), regional, or local	Color, creative options, affluent audience, permanence of message, passalongs, flexible, surrounded by content	Long lead time, poor frequency, ad clutter, geographically dispersed audience
Radio	Entire metropolitan area	Low costs, selective market, high frequency, immediacy of messages, surrounded by content	No visual impact, commercial clutter, channel switching, consumer distractions
Business paper	National or regional	Selective market, high readability, surrounded by content, permanence of message, passalongs	Restricted product or service applications, not final-consumer-oriented
Billboards	Entire metropolitan area or one location	Large size, color, creative options, frequency, no clutter of competing messages, permanence of message	Legal restrictions, consumer distractions, general audience, inflexible
Transit	Urban community with a transit system	Concentrated market, permanence of messages, frequency, action orientation, color, creative options	Clutter of ads, consumer distractions, limited audience
Telephone directories	Entire metropolitan area (with local supplements)	Low costs, permanence of message, coverage of market, specialized listings, action-oriented	Clutter of ads, limited creativity, long lead time, low appeal to passive consumers
Flyers	Single neighborhood	Low cost, market coverage, little waste, flexible	High throwaway rate, poor image

Figure 2. Summary of advantages and disadvantages of various promotional media

WHAT ARE THE FACTORS ASSOCIATED WITH MEDIA COSTS?

The small business has a wide variety of media from which to choose. Each offers specific benefits in terms of what the small business owner is willing to pay. When selecting media, these factors should be considered: cost, reach, frequency, message permanence, persuasive impact, and lead time.

Advertising ***costs*** should be assessed in three ways. First, the total costs of a medium are calculated—for example, $30,000 for a full-page color ad in a national magazine. Second, per reader or viewer costs are computed. Costs are expressed on a per thousand basis, except by newspapers which use a cost per million base. If the $30,000 ad is placed in a magazine with a circulation of 1.8 million, the cost per thousand is $60 (1,800,000 divided by $30,000 equals $60 spent per thousand people). Third, waste, which is the portion of the audience that is not in the business's target market, is analyzed. Because media appeal to mass audiences, waste is a significant factor in advertising. To reach 1,000 people may be only $60, but most media accounts receivable managers will still require you to pay the full $30,000 leaving $29,940 in lost promotion dollars.

Reach refers to the number of viewers or readers in the audience. For television and radio, reach is the total number of people who are exposed to an advertisement. For print media, reach has two components, circulation and passalong rate. *Circulation* is the number of copies sold or distributed to consumers. *Passalong rate* is the number of times each copy is placed with another reader. For example, each copy of *Newsweek* is read by about six people. The passalong rate for magazines is much higher than for daily newspapers. This brings down the cost since several people will read the same magazine, such as at a doctor's office or library.

Frequency is how often a medium can be used. It is greatest for newspapers, radio, and television, where ads may appear daily and advertising strategy may be easily changed. Telephone directories, outdoor ads, and magazines have the poorest frequency. An ad in *The Yellow Pages* may be placed or changed only once a year.

Message permanence refers to the number of exposures one advertisement generates and how long it remains with the audience. Outdoor ads, transit ads, and telephone directories yield many exposures per message. In addition, magazines are retained by consumers for long periods of time. On the other hand, radio and television ads last only 5- to 60-seconds and are over.

Persuasive impact is the ability of a medium to stimulate consumers. Television often has the highest persuasive impact because it is able to combine audio, video, color, animation, and other appeals. Magazines also have high persuasive impact.

Lead time is the time required by the medium for placing an advertisement. It is shortest for newspapers and longest for magazines and telephone directories. A long lead time means a business must plan its promotion program 6 months or more in advance and risk incorrect messages in a changing environment. Television may also

require a long lead time because the number of ads it can carry is limited.

In recent years there have been many media innovations. These include regional editions and zip-code marketing (ads placed in specific geographic areas) to revive magazines; newspapers improving their computer skills in placing ads; advertising on cable television; televised commercials in supermarkets, movie theaters, and airplanes; and specialized *Yellow Pages* directories.

particular ad is shown and when to advertise during the year. In the first decision, the small business owner must balance audience awareness and knowledge with irritation if the ad is placed often during a short period of time. For example, a business owner may run ads repeatedly, but changes them often to avoid the problem of becoming a nuisance to the viewing public.

Second, the small business owner must determine whether to advertise throughout

Timing Advertisements

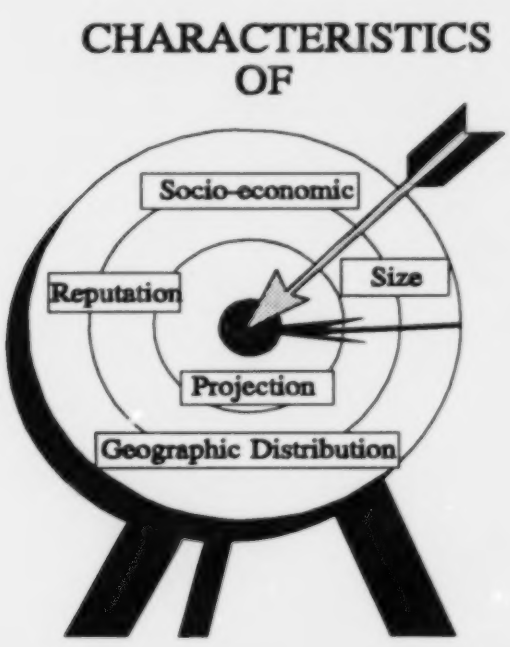
HOW DO YOU ADEQUATELY TIME YOUR ADVERTISEMENTS?

In deciding where to run ads, timing requires two major decisions: how often a

the year or in concentrated periods. Distributed advertising maintains company and brand recognition, balances sales, and increases sales in nonpeak periods. It is used by most manufacturers and general merchandise retailers. Massed promotion concentrates advertising during peak periods, maximizes seasonal sales, generates short-run consumer enthusiasm, and ignores sales in

nonpeak periods. Specialty manufacturers and retailers use this method.

tive for reaching small numbers of people. When the market for products becomes larg-



WHAT ARE CHARACTERISTICS OF YOUR TARGET MARKET AND IMAGE?

The size, geographic distribution, and socio-economic characteristics of the small business target market also help dictate the ingredients included in a product's promotional mix. Market size determines, to some degree, the promotional mix composition. If the size is quite limited, the promotional mix will probably emphasize those elements best suited to small quantities, such as personal selling or displays. This can be quite effective for reaching small numbers of people. When the market for products becomes larger, a business may use advertising and sales promotion because these methods can reach masses of people at a low cost per person. For example, if your product is geared to children, you might consider using a video advertisement attached to the beginning of children's videos. Many video companies are using this new form of advertising to help the small business entrepreneur with business development.

The geographic distribution of customers can also affect the combination of promotional methods used. Personal selling is more feasible when customers are concentrated in a small area than if they are dispersed across a large geographic area. An example of this is the Western states of the United States.

One of these states sometimes equal the total of the Northeastern states in size yet the population is under 1 million people.

The distribution of a target market's socio-economic characteristics, such as age, income, or education, may dictate the types of promotional techniques that an entrepreneur selects. For example, personal selling may be much more successful than print advertisements for communicating with less-educated people.

However, when examining the target market, another important element to consider is the image of the business. The image you project and the reputation your business cultivates can spell the difference between success and failure. Image building must be proactive, not reactive. You can do tangible things to become a power in your field.

HOW DO YOU DEVELOP PERSONAL IMAGE AND CREDIBILITY?

Locally performed services rely heavily on the people providing the services. Many of us choose a mechanic, family doctor, or neighborhood beautician simply because we like the person. Although the 21st century may see a small increase in national franchises and chains, individual and small business entrepreneurs will play the key role. Consequently, the entrepreneur will continue to have high visibility.

The philosophy of the small business owner sets the tone for the whole business. How will you posture your enterprise? Will you foster an attitude of caring? This is the *image* you project to the community and can be the success or failure of the small business. To develop a positive image, different entrepreneurs do different things. Mechanics pick up and deliver the cars they repair. Dentists provide earphones with soothing music and interesting graphics on the ceiling of treatment cubicles. Banks offer drive-up service, stay open on week-ends, and make their meeting rooms available free to non-profit groups. Real estate agents provide "get-acquainted" packages to folks considering a move to the area. Appliance repair facilities arrange for rush shipping of critical parts. The list could go on and on. Some places have a knack for making you feel more like a guest than a customer.

No matter what business you are in, there are ways to show your customers you consider them special. In the process, the business owner becomes special to them. You provide a lasting value and build a genuine relationship.

WHAT IS THE PROMOTIONAL BUDGET?

The goal of promotion is for an organization to communicate with its target markets and persuade target customers to purchase its products, services, or ideas. Part of the promotional planning process is deciding how much money the business is willing to invest in this communication and persuasion. This is called the *promotional budget.*

Theoretically, setting the promotional budget should be approached from an economic perspective, that is, money should be spent on

promotion until the point at which *marginal revenue equals marginal cost* is reached. In theory every additional dollar spent on promotion (the marginal cost) should have some positive effect on sales (marginal revenue). As long as sales increase more than total costs, a business is better off by promoting more. However, when costs start increasing more than sales, no more money should be spent on promotion.

In actuality, the theoretical approach is almost impossible to use. The exact effect promotional expenditures will have on sales is hard to determine, and the total costs associated with the new sales level may be equally difficult to estimate. Additionally, competitive reactions are not directly considered. In setting the promotional budget, most companies use one of four techniques: percentage of sales, all you can afford, return on investment, or objective and task.

Percentage of Sales. A simplistic and, unfortunately, widely used promotional budgeting technique is the percentage of sales. Businesses using this technique set the yearly promotional budget at a constant percentage of sales. Besides being easy, this technique is also conservative because it ties expenditures to sales.

All You Can Afford. Businesses with limited resources often adopt a promotional budget based on what they can afford. Usually, the money budgeted is far less than what they would like to spend, but allocating more would endanger solvency.

The problem with this technique is that the budget and the promotional objectives are unrelated. A business can easily miss profitable promotional opportunities under the excuse "We cannot afford it."

Return on Investment. The rationale for this technique is that promotion should be viewed not as an expense, but rather as an investment in future corporate sales. Using this technique, the business owner estimates the profit-generating potential of promotional expenditures and computes the return on investment from these expenditures. The owner then approves promotion costs that meet some of the criteria for an acceptable return on investment. The advantage to this technique is that it relates promotional expenditures to profit goals. Additionally, it approves only the best promotions, which forces the development of more effective promotional strategies.

The failing of this technique is the inability of small business owners and managers to accurately estimate the effect of promotional expenditures on sales and profitability. Although a reasonable approach to promotional budgeting, this failing has limited the use of the return on investment technique to only a few small businesses.

Objective and Task. With the objective and task technique, the business clearly outlines the promotion objectives it wishes to accomplish, then determines the promotional budget necessary to reach these objectives. The advantage of this technique is that it clearly ties promotional expenditures to stated objectives, emphasizes marketing research to determine how to promote, and examines the costs associated with objective attainment. One disadvantage is the difficulty in estimating costs of obtaining promotion goals. Another is that measurement of performance against goals can be difficult. Still, this is by far the most realistic promotional budget technique.

16

WHAT ARE THE STEPS IN PROMOTIONAL PLANNING?

The following figure suggests the steps in developing a long-term promotional plan. It begins with the broad promotion strategy and ends with a promotion calendar and a detailed budget. Information should be gathered for each of the items listed. You may need help in gathering information for some of these steps.

Figure 3 may suggest that promotional planning is a very complex process. It can also require a great deal of planning time. For other businesses, it is not that difficult. Experience in promotional planning will make the task much easier. Steps 1-5 in Figure 3 are actually completed in the Marketing Plan. They simply need to be reviewed at this time. If the remaining steps are too time consuming or complex, the business owner may want to use an advertising agency or other promotion expert.

WHY IS EVALUATING SUCCESS OR FAILURE USEFUL?

The success or failure of promotion depends on how well it helps the business achieve its objectives. Creating customer awareness and increasing sales are two distinct goals; success or failure in attaining them must be measured differently. Furthermore, promotion is sometimes extremely difficult to isolate as the single factor leading to a certain image or sales level.

Following is a variety of examples dealing with the evaluation of advertising success or failure:

- Igloo, a division of Anderson, Clayton, and Company, tested a promotional campaign for its Playmate personal-size ice chest. It found that the campaign increased brand awareness by 300 to 400 percent, and sales rose by 25 percent.

- A study on hometown grocers revealed that ads stressing patronage increased sales up-to-200 percent.

- An analysis of more than 800 commercials found that celebrities were not overly effective in gaining brand preference with sales rising only about 2 percent, but they did contribute to higher levels of recall about the ads in which they appeared.

Step I. **Market Characteristics**
- A. Describe current customers
- B. Describe prospective customers

Step II. **Environmental Factors Affecting Promotion**
- A. Laws
- B. Economy
- C. Consumer perceptions of promotion (likes and dislikes)
- D. Technology (production processes, cable TV, and so on)

Step III. **Competitors**
- A. Names, locations, marketing mixes
- B. Strengths and weaknesses

Step IV. **Business Description**
- A. Owner's goals
- B. Marketing mix (product, price, place, promotion)
- C. Business strengths and weaknesses
- D. Anticipated changes
- E. Marketing goals

Step V. **Promotional Planning Factors**
- A. Unique customer groups
  1. Information levels and needs
  2. Information sources used
  3. Buyer behavior
- B. Competitors' promotional behavior
  1. Product information provided
  2. Brand information provided
  3. Emotional/rational appeals
  4. Methods/media used
- C. Methods/media available
  1. Strengths/weaknesses of each
  2. Costs to use
  3. Experience and skill in using each method/medium
- D. Estimated budget available

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  3. Experience and skill in using each method/medium
- D. Estimated budget available

Step VI. **Promotional Objectives**

Step VII. **Information to be Communicated**

Step VIII. **Methods to be Used** (selling, advertising, sales promotion, publicity)
- A. Objectives for each method
- B. How method will be used
- C. Customer group to be contacted
- D. Relationships among methods

Step IX. **Media to be Used**
- A. How each medium is to be used
- B. When each medium is to be used
- C. Relationship among media

Step X. **Preparation Requirements**
- A. Time required for preparation
- B. Cost of preparation
- C. Who will prepare the promotion
- D. Training requirements (selling, display, and so forth)

Step XI. **Promotional Schedule**
- A. Planning
- B. Implementation
- C. Relationships among method and media schedules

Step XII. **Final Promotional Budget**

Step XIII. **Methods of Evaluating Promotional Activities**

Figure 3. Promotional planning steps

18

ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

Plan a promotional campaign for your class. What items will be necessary to include in order to get other students interested in enrolling?

B.

Choose five magazine advertisements that you believe show good use of promotion and then choose five that defy good promotional technique. Tell why you chose each and what can make each of them better in promoting the product or service.

GROUP ACTIVITIES

A.

Work in teams of four to six. Each team should choose a new or improved product or service. Identify all of the media in which it is being promoted, and estimate the effectiveness that each played in the promotional campaign for that product or service.

B.

Work in teams of four to six. List the following media: (1) newspapers, (2) magazines, (3) *The Yellow Pages*, (4) directories, and (5) billboards. Prepare three *creative* ads for each medium and tell what market it is targeted to. How does each medium differ from the others?

CASE STUDY

Spring Foods Company is a relatively small but very successful food producer. The company's main product lines are whole grain cereals, canned meats, and canned prepared dishes. Three large supermarket chains buy Spring Foods products and share exclusive rights to distribute them in a 200-square-mile area that surrounds the company. The customers of the supermarkets gladly pay a few cents more for the products because they know that the Spring Foods label means top quality.

The company has done well enough to believe it could profit by investing in expansion, but what direction should it be? An article in last December's issue of *Fortune* magazine made Cliff Whitehead, promotions director, begin to think seriously about one possible additional market. The article began: "One of the fastest-growing and perhaps most profitable food products of the decade is some stuff that most people won't eat. Luckily for the food manufacturers, the product isn't meant for people—it's for their dogs and cats."

"I think that's for us," Whitehead told Shawn Batterberry, executive vice-president of the company. "Look at those figures. People are spending over a billion dollars a year on prepared pet food—that's more than they spend on two staple food items, cereals and baby foods, combined. And we've already got the production facilities that can turn out pet food!"

"Yes," said Batterberry. "We've got the materials and the plant to make it—if the market is really there. You know, this pet food business has grown so rapidly that it could be just a fad; it could die just as rapidly."

"The latest market data show that the national market is going to keep on growing. My next step is to find out how to promote the product to our target market here in our area," said Whitehead. He did a survey of the area in which Spring Foods products are sold. The survey revealed the following significant information:

- Nationwide, approximately one-half of all households have pets. In the Spring Foods area, almost two-thirds of the households have pets.

- Dogs tend to be owned by people living in houses; the cat population is owned by people living in either houses or apartments.

- Nationwide, nearly one-half of the dogs and one-third of the cats eat prepared food (the industry considers the remainder an exciting untapped market). In the Spring Foods marketing area, slightly more than one-half of the dogs and nearly two-thirds of the cats eat prepared foods.

- The fastest-growing kinds of pet foods are quality brands, such as those that feature meat rather than meat by-products. The most popular of these are made by major food producers.

- In the Spring foods marketing area, new housing is planned at a somewhat higher-than-average rate, with most of

the increase expected in suburban one-family houses.

- Sociologists see people's attitudes toward their pets as another aspect of the increased interest in ecology. More and more people see themselves as just one part of the whole natural world, and pets are considered another part of that natural world.

DISCUSSION QUESTIONS

Cliff took his idea to the company's management committee. After listening to his report, some members of the committee were still not convinced about the advisability of trying to promote their product as pet food and win a portion of the pet food market. Below is a list of their objections. What was the reason for each objection and how might Cliff have answered each?

1. "In our area where we promote our products, more dogs and considerably more cats are already being fed prepared foods than in the rest of the country. That means the untapped market in our area isn't so impressive and would require a hugh promotional budget to start this project."

2. "Six big companies already have nearly three-fourths of the pet food market. What chance does our product have against these established products?"

3. "Wouldn't it hurt the image of our foods if people began seeing our label on *pet food*?"

4. "According to the figures, people are spending nearly $50 a month on the average to feed their pets. Why, that could buy almost a ton of food for hungry people. Don't you think people are going to wake up and stop buying gourmet pet foods? No promotion we could think of can counter that!"

ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Identify and briefly describe the four major promotional methods that can be included in a business's promotional mix.

2. Discuss the differences between classified, display, and *Yellow Pages* ads.

3. List and discuss the factors associated with media costs.

4. Discuss the advantages and disadvantages of the four approaches to setting promotional budgets.

5. How does publicity differ from advertising?

6. How can a product's or service's characteristics influence the composition of its promotional mix? Discuss your answer and give examples for a product and a service.

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PACE

Unit 1. Your Potential as An Entrepreneur
Unit 2. The Nature of the Small Business
Unit 3. Business Opportunities
Unit 4. Global Markets
Unit 5. The Business Plan
Unit 6. Help for the Entrepreneur
Unit 7. Types of Ownership
Unit 8. Marketing Analysis
Unit 9. Location
Unit 10. Pricing Strategy
Unit 11. Financing the Business
Unit 12. Legal Issues
Unit 13. Business Management
Unit 14. Human Resources
⇨ Unit 15. Promotion
Unit 16. Selling
Unit 17. Record Keeping
Unit 18. Financial Analysis
Unit 19. Customer Credit
Unit 20. Risk Management
Unit 21. Operations
Resource Guide
Instructor's Guide

Units on the above entrepreneurship topics are available at the following levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business